minimise the matter. Let us all sit and bestow some attention at a later date.

We will take up the next item.

Calling Attention to a matter of urgent Public Importance, viz.,

Accounts Position of the State Khadi and Village Industries Board.

Sri A. KRISHNA SHETTY.—I call the attention of the Minister for Industries and Commerce to a matter of urgent public importance, namely, the accounts position of the State Khadi and Village Industries Board.

† Sri K. MALLAPPA (Minister for Commerce and Industries).—Sir, the subject-matter came up before the House in the form of an interpellation and I think we have dealt with it in a satisfactory manner. But there was also a statement made by the Chairman of the Khadi and Village Industries Board in the Press. Certain allegations were made against the Government in the Statement. Therefore it has become necessary for me to give a rather full statement so that the House may understand the correct position about the Board. This is the statement.

ಶ್ರೀ ಎಸ್. ಗೋಪಾಲಗೌಡ.—ಖಾದಿಬೋರ್ಡ್ ಅಧ್ಯಕ್ಷರು ಪತ್ರಿಕೆಯಲ್ಲಿ ಕೊಟ್ಟ ಹೇಳಿಕೆ ಹೇಗೆ ಇಲ್ಲಿ ರೆಲವೆಂಟ್? ಅವರಿಗೆ ಉತ್ತರ ಕೊಡುತ್ತಿರುವುದೋ, ನಮಗೆ ಉತ್ತರ ಕೊಡುತ್ತಿರುವುದೋ?

Sri K. MALLAPPA.—Certain matters were raised in the press statement and the House may be anxious to know the correct position. It is likely that the Members of this House will be interested to know more fully about the facts. I am not trying to answer the criticisms made in the press statement.

1-00 P.M.

"In a prepared statement issued to the Press on 16th September 1963 on the eve of laying down his office, the Chairman of the Mysore State Khadi and Village Industries Board, expunged as ordered by the Chair, has made certain observations regarding the working of the Khadi Board, more particularly in relation to accounts which has, naturally, caused much concern to this House. Government fully appreciate the anxiety of the House to ascertain the correct position. The matter has come up before the House on more than one occasion, during Question hour and I believe Hon'ble Members are already aware to some extent of the position.

As the House is well aware, the Mysore State Khadi and Village Industries Board is an autonomous Board set up under an Act of the Legislature. It has full powers of management which includes administration, finance and accounts. It is a fact that, under the powers vested in them under the Khadi and Village Industries Act, the Government appoint the Secretary and the Accounts Officer to the Board and the duties and responsibilities of these officers are prescribed under certain rules made by Government, but it is not correct to suggest that these

(SRI K. MALLAPPA)

arrangements derogate from the powers of the Board or detract from its responsibility for the management of its affairs.

Section 3 (2) of the Act lays down that :

> " The Board shall be a body corporate having perpetual succession and a common seal and may sue and be sued in its corporate name and shall be competent to acquire and hold property both movable and immovable and to contract and do all things necessary for the purpose of the Act."

The Board has full powers to incur expenditure of every sort for the development of Khadi and Village Industries. It is empowered to sanction loans, grants and subventions. It is also empowered to implement without reference to Government the development schemes financed by the All-India Khadi and Village Industries Commission. The Board has its own fund, and the accounts of the Board are operated upon by such officers as may be authorised by the Board. It follows, therefore, that if the accounts are not maintained, if moneys disbursed by the Board are not accounted for and that if moneys have been misused or misappropriated, this cannot be due to circumstances beyond the control of the Board as claimed by the Chairman. There is nothing in the Act or the rules made thereunder to warrant the assumption that the Government is responsible for the maintenance of the accounts of the Board or that if the Accounts Officer of the Board failed in his duties at any time, Government could conveniently be blamed for it as asserted in the Press statement of the Chairman. The Board, has, at no time, expressed want of confidence in the Accounts Officer appointed by the Government or suggested that the unsatisfactory accounts are due to the arrangement under which the Accounts Officer is appointed by Government. The Accounts Officer is a member of the staff of the Board and he can only function under the directions of the Board and carry out financial transactions under the orders of the Board. The responsibility for the financial transactions of the Board which include correct accounting, therefore, fall fairly and squarely on the Board. Government cannot help feeling that the Chairman has tried to draw a red herring across the track by making it appear that the Board was a helpless Agent and could only function as a silent spectator of the irregularities going on around it, because the Accounts Officer is appointed by Government. This is a travesty of facts. The All India Khadi and Village Industries Commission provides funds to the Board to the extent of nearly a crore of rupees per annum for the development of Khadi and Village Industries, through Co-operatives according to approved patterns of assistance, and in respect of these schemes, the Board is completely autonomous. The funds provided by the Commission do not form part of the consolidated Fund of the State, nor do they pass through the State Government's Accounts. It cannot, by any stretch of imagination, be contended that the Chairman and the Board have no responsibility for the

disbursement out of these funds of huge sums of money to various co-operatives, some of them newly created, without making adequate arrangements for the supervision or for auditing of accounts and adequate arrangements for proper compilation of accounts. If it is now found that the huge amounts advanced to various co-operatives cannot be properly accounted for or utilisation certificates furnished, the authorities of, the Board, and no one also have to be held responsible. At the meetings of the Board these matters should have been reviewed. Apparently, this has not been done. If as appears now, the disbursements made by the Board amounting to several lakhs of rupees to Co-operatives for the development of Khadi and Village Industries have not been properly utilised, it only means that the Board has not acted with a due sense of responsibility. In any case, the Government cannot be held responsible for advances made to such societies nor for their mismanagement. The Chairman should have exercised proper control over the staff of the Board instead of finding an easy way out by claiming to be an honorary worker. Having regard to the autonomous position of the Board, the only inference in the event of mismanagement is that the Chairman of the Board has failed to exercise his control ..

Sri K. H. RANGANATHA (Mudigere).—Sir, I rise on a Point of Order. The calling attention given by Sri Krishna Shetty is only with regard to the accounts maintained as published in the Audit Report and all that. The Minister while making a statement referred to the statement issued by the Chairman and also he named that Chairman. In fact, as a matter of convention, no name should be mentioned. In fact, he mentioned the name of the Chairman and in the process of reading he is referring the Chairman. Is he making any statement repudiating the statement of the Chairman, dated 16-9-1963 or only maknig a reference pertaining to the accounts as reported in the Audit Report of 1963 ?

Mr. SPEAKER.—Is there anything more that the Hon'ble member would like to say in the matter ?

Sri K. H. RANGANATHA.—My point is, can we allow the name of the Chairman to be mentioned who is not a Member of this House, to go on in the proceedings of the House and the counteracting statement made by the Chairman ?

Mr. SPEAKER.—Now, two points have been raised in the Point of Order; one is that the name has been mentioned. I have not heard any name mentioned uptil now. The word 'Chairman' is not a name.

HON'BLE MEMBERS.—He mentioned the name of the Chairman.

Mr. SPEAKER.—Was the name mentioned ?

Sri K. MALLAPPA.—I am sorry, Sir, I mentioned it.

Mr. SPEAKER.—Then it will be expunged So for as the scope of the statement is concerned, I suppose the accounts are an integral part, and so it is perfectly relevant. I do not think. I can uphold the Point of Order on that account. The Members know that the Supplementary Demand is coming up for discussion. It is not for me to point out that here. They must be alert.

Sri K. MALLAPPA.—As regards Accounts, the fact that they have not been compiled and made available to audit have been brought to light by the Auditor appointed by Government, *viz.*, the Accountant General. The Board has not taken any special initiative in the matter as claimed by the Chairman. The Government and the Board have been made aware of the position by reports received from the Accountant-General from time to time, and it is the Government which has drawn the attention of the Board to these reports and suggested remedial action being taken promptly and effectively. The Board cannot disown responsibility in regard to this, nor can it transfer it to Government. It may be well to remember that the Board employs over a thousand members of the staff and the omissions and irregularities in regard to accounts could, and should have been remedied by proper and systematic inspections by the Board's Executive Staff, and by the Board's Accounts Department which works directly under the control of the Board. Reports received lately indicate that as a result of the action taken since the appointment of a new Accounts Officer, accounts have been compiled to a considerable extent and that appropriate action is being taken to deal with the irregularities like misappropriations, defalcations, etc. Police complaints have also been lodged in certain cases. If only the Chairman had been sufficiently vigilant all along and alive to his responsibilities, such large scale irregularities as are reported could not have occurred.

The Chairman has stated that in spite of persistent efforts, the Accounts Department has totally failed, for reasons been known to itself to discharge its responsibilities. He has also suggested that the Board could not do anything except to write to Government since the authority for the accounts vests with the Government. This is far from the truth, and Government cannot acquiesce in this view for the reasons indicated above. The Chairman is labouring under a misapprehension in regard to his responsibility and that of the Board though Government have apprised him of the correct position in no uncertain terms. It is Government's considered view that it was, and still is, up to the Board to do what is necessary to set things right. Even though the Accounts Officer is appointed by Government an appointment from amongst Government officers has obviously to be made by Government only—the responsibility of the Board by the financial transactions, correct accounting and supervision over the Accounts staff to get the work done remains unimpaired. The point is too obvious to be stressed further.

The Chairman has referred to the help sought by him from the Anti-Corruption Department.

Sri S. SIVAPPA.—Sir, on a point of order. The calling attention is specific here. The point is only regarding the accounts position of the State Khadi and Village Industries Board. Now the Hon'ble Minister is only replying to the press statement issued by the Chairman of the Khadi Board. We are calling attention to a specific point, namely, accounts position of the State Khadi Board. This should have

been done. But instead the Hon'ble Minister is using the forum of this to reply to the press statement made by the Chairman of the Khadi Board. We are asking only regarding the accounts position. Is he in order in making a reply to the statement made by the Chairman of the Khadi Board on the floor of this House.

ಶ್ರೀ ಎಸ್. ಗೋಪಾಲಗೌಡ.—ಮಾನ್ಯ ಸದಸ್ಯರಾದ ಶ್ರೀ ಶಿವಪ್ಪನವರ ಪಾಯಿಂಟ್ ಆಫ್ ಆರ್ಡರ್ ನಲ್ಲೋಟ್ ಮಾಡುತ್ತೇನೆ. ಮಾನ್ಯ ಸಚಿವರು ಬರೆದುಕೊಂಡು ಬಂದಂಥ ಹೇಳಿಕೆ ಓದುತ್ತಿದ್ದಾರೆ. ಕೇಳಿರತಕ್ಕಂಥ ಪ್ರಶ್ನೆಗೂ ಈ ಹೇಳಿಕೆಗೂ ಸಂಬಂಧವಿದ್ದ ಹಾಗೆ ಕಾಣುವುದಿಲ್ಲ. ಆದುದರಿಂದ ಈ ಬಗ್ಗೆ ಕೇಳಿದ ಪ್ರಶ್ನೆಗೆ ಉತ್ತರ ಕೊಡುವುದು ಯೋಗ್ಯ ಎಂದು ನನಗೆ ಕಾಣುತ್ತದೆ.

Sri S. M. KRISHNA.—Sir, I have been listening to the statement that is being made with a good deal of attention. I have been counting the number of times the Hon'ble Minister has mentioned the Chairman of Khadi and Village Industries Board. He mentioned it 8 or 9 times. That lands us in a suspicion whether the Hon'ble Minister is utilising this opportunity that the Hon'ble Member Sri A Krishna Shetty has provided to reply to the various criticisms levelled against the State Government by the Chairman of the Khadi Board.

Mr. SPEAKER.—This is not the occasion for you to make as speech.

Sri M. S. KRISHNA.—That would be going too far out-side the rule 63 (1) wherein a specific matter of urgent public importance will have to be raised. Sri A. Krishna Shetty has raised a specific matter and that is the accounts position of the Khadi Board. Without meeting that point, the Hon'ble Minister has been going about refuting the criticism that has been made against the State Government. He could utilise other opportunities to make a statement. Under the Rules, there are opportunities provided for any Minister to make a statement.

Mr. SPEAKER.—Does Sri Krishna, put it positively or negatively ?

Sri S. M. KRISHNA.—It should not be mentioned outside the House that Sri A. Krishna Shetty has provided an opportunity for the Minister to refute certain criticisms. It would be a violation of rule 63.

Mr. SPEAKER.—I have the highest regard for what people say outside this House.

Sri K. S. SURYANARAYANA RAO (Mysore City).—Sri Sivappa raised a point of order and so I thought I could also express myself opposing that point of order.

Mr. SPEAKER.—There is no question of anybody opposing a point of order. There will be only elucidation—that is to say there will be different approaches to come to a correct conclusion.

Sri C. J. MUCKANNAPPA (Sira).—Sir, if the point of order raised by Sri Sivappa holds any water, you may allow it. If it does not hold any water, you please rule it out of order, Sir.

Mr. SPEAKER.—What is this wonderful sage advice given to me !

Sri S. M. KRISHNA.—Rule 63 (1) says the statement should be brief.

Mr. SPEAKER.—It was said that it must not look as if the Hon'ble Sri Krishna Shetty has given or created an opportunity for the Government to make a statement with regard to certain aspects of the matter. What is it? It is an urgent matter of public importance and it is important. Its importance is sufficiently high. That is why I admitted. If it had been not so important, I would not have admitted it. It is a public matter because large amounts of money are involved therein. Otherwise, I would not have admitted it. Having done so, what does the expression 'accounts position' mean? The accounts position is not mere figures—something like saying 72—42 is 30, or things of that type. The position is so serious; public funds are involved and if there is any statement that is to be given by the Government to elucidate matters, I cannot possibly say it is out of order.

Then it is said that it has to be brief. If what has been said is sufficient for the House, I will make him discontinue immediately. But it becomes brief.

If I should be able to say 'this portion is bad', the copy of the statement will have to be submitted to me in advance. It provides an opportunity for the Members to draw the attention of the Minister concerned towards an important and concrete matter of public importance. He has drawn his attention and the Minister makes a brief statement. Now the term 'brief statement is a relative term. What is necessary in a brief statement and what is not necessary, I cannot pre-judge.

Or can I judge even after it is delivered? Even *Post-mortem*, I cannot do. Therefore, if the members feel that they don't want it, even then I do not think that I have got a right to shut out the Minister.

ಶ್ರೀ ಎಚ್. ಆರ್ ಕೇಶವಮೂರ್ತಿ (ಗಂಡಸಿ).—ಈಗಾಗಲೇ ಅವರು ಸ್ವಲ್ಪ ಹೇಳಿದ್ದಾರೆ, ಪೂರ್ತಿಯಾಗಿ ಹೇಳುವುದಕ್ಕೆ ಅವರಿಗೆ ಅವಕಾಶ ಕೊಡಿ, ಸ್ವಾಮಿ.

Sri K. MALLAPPA.—I was referring to the Anti-Corruption Department.

"The request was made after the Audit Reports revealed grave irregularities in the accounts of an institution directly under the management of the Board. It could not be complied with since the Department of Anti-Corruption will investigate only cases where Government officers are concerned. The Chairman was rightly advised, therefore, that the appropriate course was for the Board to file straightaway a complaint with the Police against those employees of the Board, who were responsible for misappropriation of funds and falsification of accounts.

It is thus clear that the responsibility of any mismanagement, maladministration, misuse of funds or irregularities in accounts in the Board should be borne by the Chairman and the Board and that if they have not discharged this responsibility properly, they will be answerable for the same.

Having thus made clear the position of the Government *vis-a-vis* the Board, I should like to refer briefly to the action taken to set things

right. Broadly speaking, the accounts of the Board fall into three categories;

(1) Those pertaining to the Head Officer;

(2) Trading accounts of the Centres directly managed by the Board; and

(3) Accounts pertaining to the Khadi and Village Industries Co-operative Societies to which financial assistance by way of loans and grants have been sanctioned by the Board.

The maintenance of accounts in the first two cases is the responsibility of the Board. In the case of the Co-operative Societies, the accounts have to be maintained by the staff of the Societies and their audit is the statutory responsibility of the Registrar of Co-operative Societies. Practical steps have now been taken to find out what has gone wrong with the accounts, how they may be set right and what action is called for to ensure that in future the accounts are maintained in a satisfactory manner. The services of an Accounts Officer have been borrowed from the Office of the Accountant General, Mysore, and he has been appointed by Government as the Accounts Officer of the Board. The Board has also borrowed the services of another officer from the Accountant-General's Office for appointment as Additional Accounts Officer. The services of a team of assistants have also been borrowed by the Board from the Office of the Accountant-General, Mysore, for compiling and auditing the Accounts. I have already made a statement that the accounts are being compiled and without the compilation of accounts, there cannot be an audit and so far, one year's accounts have been compiled and the audit in respect of that year has been completed. The rest of the accounts have to be compiled and audit has to be done. Necessary staff has been provided and investigations and inspections are going on. A section of Auditors has been exclusively looking into the accounts of the Saranjam Karyalaya, Bangalore when the loss of large sums of money is reported. The loan accounts of Co-operative and registered bodies are being checked up and acceptance obtained. Action is being taken for recovering upspent amounts and for obtaining utilisation certificates where moneys have been spent. A flying squad has been organised to carry out investigations into the affairs of the Khadi and Village Industries Societies which have been receiving assistance from the Khadi Board. Where necessary, statutory powers will be exercised by the officers empowered to wind up the Societies, which have become defunct or are not working satisfactorily. Based on the audit reports liability is being fixed on the persons responsible for moneys advanced. Where the reports disclose the commission of criminal offences, the Board has been advised to launch prosecutions against offenders.

While it is not Government's intention to minimise the seriousness of the irregularities, I should like to assure the House that there is no need to take an alarmist view of the situation and that the Government will do everything in its power to see that the affairs of the Board are placed on a satisfactory footing.

Members' Representations.

ಶ್ರೀ ಬಿ. ಎಲ್. ಗೌಡ (ಕಳ್ಳಕೆರೆ).—ಹಿಂದೆ ಈ ಸಭೆಯಲ್ಲಿ ಸ್ಟೇಟ್‌ಮೆಂಟ್ ಮಾಡಿದಾಗ ಕ್ಲಾರಿಫಿಕೇಷನ್ ಕೇಳುವುದಕ್ಕೆ ಅವಕಾಶ ಕೊಟ್ಟಿರುವ ನಿದರ್ಶನ ಇವೆ. ಆದ್ದರಿಂದ ತಾವು ಈಗ ನನಗೆ ಅವಕಾಶ ಕೊಟ್ಟರೆ ಕೆಲವು ವಿಷಯಗಳನ್ನು ಕೇಳುತ್ತೇನೆ.

Mr. SPEAKER.—I do not say that there are no instances wherein members may or may not have been given a chance. If it was given as a matter of indulgence, it does not mean that we have got a right. This is a 'call attention' motion in order that the members and the House should have insight with regard to particular matters which require a little focussing. Also, it is provided that there shall be no Debate at the time it is made. Let the member remember the words 'at the time it is made'. It only indicates that at a later time in proper circumstances and by following a proper procedure the members can do it. I believe there are Supplementary Demands coming up for consideration. I think it will be an excellent opportunity for the members to discuss all these matters, at that time when "Demand No. 24—Industries including Sericulture,"—is taken up. I have also looked into the details. It is not for me to say anything with regard to what should or what should not be done. I consider that there will be an opportunity to some extent during the General Discussions on these Supplementary Demands.

ಶ್ರೀ ಬಿ. ಎಲ್. ಗೌಡ.—ಈಗ ಅವರು ಸ್ಟೇಟ್‌ಮೆಂಟ್ ಮಾಡಿದ್ದಾರೆ. ಈಗಲೇ ಒಂದೆರಡು ಪ್ರಶ್ನೆಗಳನ್ನು ಹಾಕಿದರೆ ನೂತ್ತಾವ ಕ್ಲಾರಿಫಿಕೇಷನ್ ಸಿಕ್ಕುತ್ತದೆ, ಇಲ್ಲದೇ ಹೋದರೆ ಸ್ಟೇಟ್‌ಮೆಂಟ್ ಒಂದು ಕಡೆ ಆಗುತ್ತದೆ, ನಾವು ಕೇಳುವುದು ಒಂದು ಕಡೆ ಆಗುತ್ತದೆ, ಒಂದಕ್ಕೊಂದಕ್ಕೆ ಹೊಂದಾಣಿಕೆಯಾಗುವುದಿಲ್ಲ. ತಾವು ಅಪ್ಪಣೆ ಕೊಟ್ಟರೆ ಕೇಳುತ್ತೇನೆ.

Mr. SPEAKER.—No.

Sri C. J. MUCKANNAPPA.—How the accounts should be maintained, how the audit should take place, what were the duties of the President, there were mentioned.

ಇವರಲ್ಲಿ ಹಣ ಎಷ್ಟು ಇನ್‌ವಾಲ್ವ್ ಆಗಿದೆ, ಎಷ್ಟು ವರ್ಷದ್ದು ಆಡಿಟ್ ಆಗಿದೆ ಎಂಬುದನ್ನು ಹೇಳಿದ್ದರೆ ಆಗುತ್ತಿತ್ತು.....Regarding the money that is involved, it is a bald statement.

Mr. SPEAKER.—It may be bald. I am not permitting any more discussion.

Sri S. SIVAPPA.—I want to seek the Chair's permission to move the motion of no-confidence.

Mr. SPEAKER.—I have told the Hon'ble Member. Is it so easily forgotten?

Papers laid on the Table.

SECRETARY.—Sir, I beg to lay on the Table the Seventh List of Unstarred Questions and Answers.